



165 (d)
Resolution Plan
Public Section

December 31, 2013

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TABLE OF CONTENTS

INTRODUCTION	4
1. DESCRIPTION OF CORE BUSINESS LINES AND CRITICAL OPERATIONS	6
2. MATERIAL ENTITIES	7
3. SUMMARY OF FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES	8
CONSOLIDATED BALANCE SHEET	8
CAPITAL.....	9
MAJOR FUNDING SOURCES	10
4. DERIVATIVE ACTIVITIES AND HEDGING ACTIVITIES	11
5. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS	12
6. DESCRIPTION OF FOREIGN OPERATIONS	13
7. MATERIAL SUPERVISORY AUTHORITIES	13
8. PRINCIPAL OFFICERS	14
9. CORPORATE GOVERNANCE AND RESOLUTION PLANNING PROCESS	15
10. MATERIAL MANAGEMENT INFORMATION SYSTEMS (MIS)	16
11. RESOLUTION STRATEGY	16
GLOBAL RESOLUTION	16
RESOLUTION OF U.S. OPERATIONS	16

INTRODUCTION

National Bank of Canada (also referred to as “NBC” or “National Bank” or the “Bank”) is pleased to present its U.S. Resolution Plan as required by Regulation QQ, 12 CFR Part 243 of the Board of Governors of the Federal Reserve System (the “FRB”) and 12 CFR Part 381 of the Federal Deposit Insurance Corporation (the “FDIC”) (together, the “Resolution Plan Regulations”) issued pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The FRB and FDIC are together referred to as the “Agencies” in this plan.

Section 165(d) of Dodd Frank Act and the Resolution Plan Regulations specify that any foreign bank or company that is a bank holding company or is treated as a bank holding company under section 8(a) of the International Banking Act of 1978 (the “IBA”) (12 U.S.C. § 3106(a)) that has \$50 billion or more in total consolidated assets is a covered company subject to the resolution plan requirements set forth in the Resolution Plan Regulations. Under the Resolution Plan Regulations, a covered company must submit a resolution plan annually that provides for the covered company’s rapid and orderly resolution (as such term is defined in the Resolution Plan Regulations) in the event of the covered company’s material financial distress (as such term is defined in the Resolution Plan Regulations) or failure.

NBC is a bank organized under the laws of Canada. The Bank is a foreign bank that: (i) is treated as a bank holding company under Section 8(a) of the IBA because it maintains a branch office located in New York; (ii) is a bank holding company because of its indirect ownership of 100% of the shares of Natbank, N.A., a national bank located in Hollywood, Florida; and (iii) has \$50 billion or more in total consolidated assets, as determined based on NBC’s most recent annual Capital and Asset Reports for Foreign Banking Organizations as reported on Federal Reserve Form FR Y-7Q. Accordingly, NBC is a “covered company” as defined in the Resolution Plan Regulations and is required to submit a U.S. resolution plan under Section 165(d) of the Dodd-Frank Act and the Resolution Plan Regulations.

The Resolution Plan Regulations set forth an implementation schedule that is based on the total nonbank assets of each covered company measured as of the effective date of the Resolution Plan Regulations. Under the Resolution Plan Regulations, only the U.S. nonbank assets of a foreign-based covered company are considered for purposes of determining the appropriate date for the foreign covered company’s initial submission. In accordance with Resolution Plan Regulations, NBC has less than USD \$100 billion in U.S. nonbank assets. NBC’s total U.S. nonbank assets as of December 31, 2012 are USD \$1.21 billion. Accordingly, the initial submission schedule in the Resolution Plan Regulations requires NBC to submit its U.S. resolution plan on or before December 31, 2013.

Overview of the Organization

NBC is a predominantly Canadian financial institution and the leading bank in Quebec. It is the sixth largest bank in Canada with branches in almost every province. The Bank head office is located in Montreal and its securities are listed on the Toronto Stock Exchange.

The Bank is an integrated provider of financial services to retail, commercial, corporate and institutional clients. Through its nearly 20,000 employees, it offers a complete range of services: banking and investment solutions, securities brokerage, insurance and wealth management.

Overview of the U.S. Presence

The Bank operates a branch in New York City (the “New York Branch”) which is primarily used for liquidity and funding purposes. The New York Branch also provides commercial and wholesale banking services to its institutional clients. The New York Branch has no retail clients.

The Bank also has a US registered broker dealer and institutional equities sale office in New York, through its wholly-owned subsidiary, National Bank of Canada Financial Inc. (“NBCFI”)

In addition, the Bank operates two full-service retail branch-banking locations in the State of Florida through its wholly-owned national subsidiary, Natbank, N.A.

Finally, the Bank also has a majority-owned U.S. subsidiary, Credigy, which acquires non-performing and performing portfolios and other potential investments and seeks to manage such portfolios profitably (liquidation through collections or account selling). Credigy also lends to other large buyers of similar assets.

1. DESCRIPTION OF CORE BUSINESS LINES AND CRITICAL OPERATIONS

Definitions

The Resolution Plan Regulations define *Core Business Lines* as “those business lines of the covered company, including associated operations, services and functions and support that, in the point of view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value.”

The Resolution Plan Regulations define *Critical Operations* as “those operations of the covered company, including associated services, functions and support, the failure or discontinuance of which, in the view of the covered company or as jointly directed by the [FRB] and the [FDIC], would pose threat to the financial stability of the United States.”

Identification of Core Business Lines

12 CFR § 243.4(a)(2)(i) states that a foreign-based covered company’s resolution plan “shall include information with respect to subsidiaries, branches and agencies, and critical operations and core business lines, as applicable, that are domiciled in the United States or conducted in whole or material part in the United States”.

NBC’s services are distributed through three primary business lines (Personal and commercial Banking, Wealth Management and Financial Markets) which are supported by various corporate functions (Corporate Treasury, Finance, Risk Management, Information Technology, Operations, Human Resources and Corporate Affairs). None of those business lines and corporate functions are domiciled in the United States or conducted in whole or material part in the United States.

However, because its failure would result in a material loss of revenue, profit, or franchise value, the Bank has, for purposes of the U.S. Resolution Plan, identified Corporate Treasury – Funding as a Core Business Line. This Core Business Line is conducted in part in the New York Branch.

Corporate Treasury – Funding business line involves providing funding to NBC units in support of their businesses primarily in Canada. Funding is accessed via commercial paper and certificate of deposit programs. Other services include cash management, collateral management, interest rate risk management and FX risk management; and trading in financial market instruments linked to New York Branch’s main treasury activities. The team invests primarily in liquid, highly rated investment grade securities, predominantly U.S. Government securities (treasury bills and bonds) and Canadian investment grade bonds.

Identification of Critical Operations

NBC has determined that it has no Critical Operations for purposes of the Resolution Plan Regulations. As noted above, under the Resolution Plan Regulations, the FRB and the FDIC have the authority to jointly designate an operation of a covered company as a Critical Operation. No operations of NBC have been designated by the Agencies as Critical Operations for purposes of the Resolution Plan Regulations.

2. MATERIAL ENTITIES

Definition

The 165(d) Rule defines *Material Entity* as “a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line.”

Identification of *Material Entity*

For purposes of the U.S. Resolution Plan, the Bank has identified one Material Entity: the New York Branch. The New York Branch is primarily used for liquidity and funding purposes. It is licensed by the New York State Department of Financial Services (“NYSDFS”) as a wholesale bank subject to concurrent oversight by the Federal Reserve Bank of New York (“FRBNY”) and the NYSDFS. It received its license in October 1983.

The New York Branch provides commercial and wholesale banking services to its institutional clients. The New York Branch has no retail clients. Services include:

- Treasury: See description above.
- Cross Border Lending: This unit provides corporate and commercial clients with both secured and unsecured credit services. The majority of customers are U.S. subsidiaries of existing NBC clients.
- International Commercial Operations (“ICO”): ICO issues both standby and commercial irrevocable letters of credit. Its customers include some of the customers of the New York Branch’s Cross-Border lending unit as well as NBC’s Canadian based commercial customers who need to issue U.S. based letters of credit.
- Cash Management: This unit provides banking services including demand deposit accounts (“DDAs”), wire transfers and automated clearing houses (“ACHs”) to existing clients of NBC’s commercial and corporate sectors.

In addition to the above business units, the New York Branch also includes middle and back office functions to support the businesses. These include Compliance, Human Resources, Regulatory Reporting, Loan Administration, Information Technology and Operations.

3. SUMMARY OF FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES
Consolidated Balance Sheet

The following summarizes the consolidated balance sheet of NBC as at October 31, 2012, presented in accordance with International Financial Reporting Standards (“IFRS”).

(millions of Canadian dollars)

ASSETS	
Cash and deposits with financial institutions	3 249
Securities	
At fair value through profit or loss	44 524
Available-for-sale	10 374
Securities purchased under reverse repurchase agreements and securities borrowed	15 529
Loans, net of allowances for credit losses	82 672
Other assets	
Customers' liability under acceptances	8 250
Fair value of derivative financial instruments	6 696
Due from clients, dealers and brokers	1 661
Investments in associates and joint ventures	625
Premises and equipment	440
Goodwill	1 063
Intangible assets	778
Other	2 042
	177 903
LIABILITIES AND EQUITY	
Deposits	93 249
Other liabilities	
Acceptances	8 250
Obligations related to securities sold short	18 124
Obligations related to securities sold under repurchase agreements and securities loaned	19 539
Fair value of derivative financial instruments	5 600
Due to clients, dealers and brokers	1 959
Liabilities related to transferred receivables	15 398
Other	5 074
Subordinated debt	2 470
Total Liabilities	169 663
EQUITY	
Equity attributable to the Bank's shareholders	
Preferred shares	762
Common shares	2 054
Contributed surplus	58
Retained earnings	4 091
Accumulated other comprehensive income	255
	7 220
Non-controlling interests	1 020
	8 240
	177 903

Capital

The Bank's capital management policy sets out the principles and practices that the Bank incorporates into its capital management strategy to ensure that it has sufficient capital at all times and is prudently managing such capital to satisfy any future capital requirements. The Bank has maintained adequate capital ratios through internal capital generation, balance sheet management and issuances and repurchases of shares and subordinated debt securities.

The Bank uses the Advanced Internal Rating-Based Approach to manage credit risk and the Standardized Approach for operational risk. For market risk, the Bank mainly uses an approach based on internal models but uses the Standardized Approach for certain exposures.

The following summarizes the capital ratios of NBC as at October 31, 2012, calculated based on Basel II requirements.

Capital Ratios under Basel II

Tier 1	12.0%
Total	15.9%
Assets-to-capital multiple	18.3%

Capital requirements adopted by the Basel Committee on Bank Supervision (BCBS) and commonly referred to as Basel III came into effect in January 2013 in Canada. The new Basel III regulatory framework sets out transitional arrangements for the period of 2013 to 2019.

The Office of the Superintendent of Financial Institutions Canada ("OSFI") has been requiring Canadian banks to meet the 2019 minimum "all-in"¹ requirements since the first quarter of 2013 for Common Equity Tier 1 (CET1) and is requiring them to do the same by the first quarter of 2014 for Tier 1 capital and total capital. As such, since the first quarter of 2013, the Bank must maintain a CET1 capital ratio of at least 7.0%, i.e., 4.5% for common equity and 2.5% for a capital conservation reserve.

In March 2013, OSFI designated National Bank as Domestic Systemically Important Banks (D-SIBs). Consequently, as of January 1, 2016, the Bank and all other major Canadian banks will have to maintain a CET1 capital ratio of at least 8.0%, a Tier 1 capital ratio of at least 9.5% and a total capital ratio of at least 11.5%, all ratios determined using the "all-in" methodology.

The following table presents the regulatory capital ratios determined using the "all-in" methodology and the regulatory targets under Basel III.

In addition to regulatory capital ratios, Canadian banks are required to meet a maximum leverage test. Leverage or the assets-to-capital multiple is calculated by dividing the Bank's total assets, including certain off-balance-sheet items, by its regulatory capital in accordance with the transitional provisions.

As at December 31, 2012, the Bank was in compliance with all of OSFI's regulatory capital requirements.

¹ All-in is defined as capital calculated to include all of the regulatory adjustments that will be required by 2019, but retaining the phase-out rules for non-qualifying capital instruments.

Minimum ratios to be maintained

	July 31, 2013 ⁽¹⁾	October 31, 2013 ⁽²⁾	BCBS 2013	OSFI 2013 ⁽³⁾	OSFI January 1, 2016 ⁽³⁾⁽⁴⁾
Common Equity Tier 1 (CET1)	8.6 %	7.3 %	3.5 %	7.0 %	8.0 %
Tier 1	11.5 %	10.1 %	4.5 %	N/A	9.5 %
Total	15.1 %	14.1 %	8.0 %	N/A	11.5 %

⁽¹⁾ Basel III ratios excluding the credit valuation adjustment (CVA) charge.

⁽²⁾ Pro forma Basel III ratios, including CVA charge.

⁽³⁾ Includes 2.5 % capital conservation reserve.

⁽⁴⁾ Includes 1.0 % surcharge applicable to D-SIBs.

Major Funding Sources

The Bank performs liquidity management and funding operations not only from its head office and offices in Canada, but also through certain foreign centres. Although these foreign centres play an important role in global liquidity management, the Bank's liquidity management is centralized in Montreal.

The Bank monitors and manages its risk appetite through liquidity limits, ratios and stress scenarios. Moreover, the Bank calculates its survival period under different stress scenarios and ensures to keep a liquidity reserve over its minimum survival period. Finally, the Bank manages its liquidity risk with with strictest internal limits than regulatory standards.

The deposit liabilities of the Bank's branch network are the Bank's primary and most stable source of funding. Stable funds are used to fund bank activities, whereas funds from the wholesale markets are used to fund financial market activities. In order to maintain the ideal funding profile, the Bank seeks to minimize short-term funds borrowed on the institutional market and is careful to diversify its funding sources. The Bank maintains a good balance of its funding through different unsecured funding products, securitization programs and secured funding. The Bank also diversifies its funding by currency, geography and maturity. The Bank's funding management priority is to optimize a balance between the deposit liabilities of the Bank's retail networks, secured funding and unsecured funding. This brings optimal stability to its funding and reduces vulnerability to unpredictable events.

To protect depositors and creditors from unexpected crisis situations, the Bank holds a portfolio of unencumbered liquid assets that can be immediately liquidated to meet financial obligations.

The Bank's liquidity risk management framework is designed to ensure the Bank is in a position to address both its daily liquidity obligations and to withstand periods of liquidity stress affecting secured and unsecured funding.

4. DERIVATIVE ACTIVITIES AND HEDGING ACTIVITIES

Derivatives

In the normal course of business, the Bank uses financial instruments to meet the needs of its clients, enable it to generate income from its trading activities and manage its exposure to interest rate risk, foreign exchange risk, credit risk and other market risk.

The main types of derivative financial instruments used are presented below:

- **Forward and futures:** contractual obligations to buy or deliver a specified amount of currency, interest rates, commodities or financial instruments on a specified future date at a specified price.
- **Swaps:** contracts in which two parties agree to exchange cash flows such as currency or interest payment streams. The amounts exchanged are based on the specific terms of the contract with reference to specified rates, financial instruments, commodities, currencies or indices.
- **Options:** contracts in which the option purchaser has the right, but not the obligation, to purchase from, or sell to, the option writer financial instruments, commodities or currencies within a defined time period for a specified price.

Hedging

The purpose of a hedging transaction is to modify the Bank's exposure to one or more risk by creating an offset between the changes in the fair value of, or the cash flows attributable to, the hedged item and the hedging instrument.

- **Hedges of net investment in foreign operations:** The Bank's structural foreign exchange risk arises from investment in foreign operations denominated in currencies other than Canadian dollar. This risk is measured by assessing the impact of foreign currency fluctuations. The Bank uses financial instruments (derivatives or non-derivatives) to hedge structural foreign exchange risk.
- **Fair value hedges:** Fair value hedge transactions consist in using interest rate swaps to hedge changes in the fair value of a financial asset or financial liability caused by interest rate fluctuations. The Bank applies this strategy mainly to its portfolios of available-for-sale securities, fixed rate-deposits, liabilities related to transferred receivables and subordinated debt.
- **Cash flow hedges:** Cash flow hedge transactions consist in using interest rate swaps to hedge the risk of changes in future cash flows caused by floating-rate assets or liabilities. The Bank applies this strategy mainly to its loan, personal credit line and variable-rate deposits portfolios. The Bank also uses total return swaps to hedge the risk of changes in future cash flows related to the Restricted Stock Unit (RSU) Plan.

5. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

As an essential part of engaging in the financial services industry and serving customers and clients, NBC participates in payment, messaging, clearing and settlement systems, to conduct financial transactions in a global economy. Those systems, known as Financial Markets Utilities (FMUs) allow NBC to provide payment services to customers and clients, to serve as a broker-dealer for securities transactions and to engage in derivatives transactions as needed to manage risk, secure funding and meet the needs of customers and clients.

See below table for systems significant to NBC's operations.

FMU	Functionality
ACSS	Settlement and clearing for paper items
LVTS	Wire payments
SWIFT	Interbank financial communications
CDS	Settlement and clearing
CDCC	Settlement and clearing
Fedwire	Settlement and clearing
DTCC	Settlement and clearing
FICC	Settlement and clearing
Euroclear	Settlement and clearing
OCC	Settlement and clearing
CLS	Cash settlement for foreign exchange transactions

6. DESCRIPTION OF FOREIGN OPERATIONS

Revenues generated by foreign activities (including U.S.) represent 4 % of NBC's total revenues. Further to its Canadian and U.S. operations, the most significant overseas operating entity for the purposes of the resolution planning is the Bank's London, UK Branch (the "London Branch"). Similar to the New York Branch, the London Branch is primarily used for liquidity and funding purposes. The London Branch does not raise any retail deposits and is covered by the Liquidity, Funding and Pledging Policy of the Bank, which includes Liquidity Reporting to the UK regulators. In addition, the Bank performs speciality finance activities in Brazil and offers hedge fund managed account solutions through a Malta-based managed account structure. Finally, the Bank has representative offices in Europe, Asia and Latin America.

7. MATERIAL SUPERVISORY AUTHORITIES

Main Canadian regulator and Central Bank

NBC is a federally regulated financial institution ("FRFI") in Canada. The main regulator in the Canadian financial services industry is the Office of the Superintendent of Financial Institutions ("OSFI"). NBC is also subject to the authority of the Bank of Canada with respect to the implementation of monetary policy, regulation of the financial system and funds management. However, as outlined in the definition of its role, the Bank of Canada does not directly regulate FRFIs, which is OSFI's responsibility.

Other Regulators Impacting NBC

As a provider of financial services and products, the Bank is also subject to the various rules and guidelines established by Canadian provincial authorities as regards securities and financial instruments trade.

The most important other Canadian regulators impacting the Bank include, without limitation:

- Canadian Deposit Insurance Corporation ("CDIC");
- Department of Finance Canada;
- Autorité des Marchés Financiers – Québec;
- Investment Industry Regulatory Organization of Canada ("IIROC")
- Mutual Fund Dealer Association ("MFDA");
- Ontario Securities Commission ("OSC");
- Other Canadian Provinces securities commissions, where applicable.

NBC's activities performed through entities that are incorporated abroad are limited. For the purpose of the resolution plan, U.S. regulators impacting NBC are:

- National Bank of Canada – New York Branch
 - Federal Reserve Board (including Federal Reserve Bank of New York)
 - New York State Department of Financial Services
- National Bank of Canada Financial Inc.
 - Financial Industry Regulatory Authority ("FINRA")
 - Securities and Exchange Commission ("SEC")
- Credigy
 - Consumer Financial Protection Bureau
- NatBank N.A.
 - Office of the Comptroller of the Currency ("OCC")
 - Federal Reserve Board ("FRB")
 - Federal Deposit Insurance Corporation ("FDIC")

The FCA (United Kingdom) would also be a regulator impacting NBC.

8. PRINCIPAL OFFICERS

Information regarding the Bank's principal officers is presented in the following table:

Name	Title
Louis Vachon	President and Chief Executive Officer
Ghislain Parent	Chief Financial Officer and Executive Vice-President, Finance & Treasury
William Bonnell	Chief Risk Officer and Executive Vice-President, Risk Management
Diane Giard	Executive Vice-President, Personal and Commercial Banking
Karen Leggett	Executive Vice-President, Marketing
Dominic Fagnoule	Executive Vice-President, Technology, Business Intelligence and Organizational Performance
Luc Paiement	Executive Vice-President, Wealth Management, Co-President and Co-Chief Executive Officer, NBF
Ricardo Pascoe	Executive Vice-President, Financial Markets, Co-President and Co-Chief Executive Officer, NBF
Stéphane Bilodeau	Executive Vice-President, Operations
Lynn Jeannot	Executive Vice-President, Human Resources and Corporate Affairs
Éric Girard	Senior Vice-President, Corporate Treasury
Christian St-Arnaud	Senior Vice-President, Credit
Jean Dagenais	Senior Vice-President, Finance, Taxation & Investor Relations

9. CORPORATE GOVERNANCE AND RESOLUTION PLANNING PROCESS

In NBC's view, financial contingency, crisis recovery and resolution planning should all be considered on a continuum with risk management in mind and take into account the various stages of a potential crisis. It should be prepared in the context of an overall contingency and crisis management framework that begins with risk management and crisis avoidance, then move to contingency and recovery planning and end with resolution planning. Crisis avoidance, which includes the day-to-day risk management of the firm, begins with true risk transparency, a defined risk appetite, risk monitoring and strong risk governance.

For the plans to be meaningful it should build on the core risk and business management practices of NBC, effectively integrating these activities into a cohesive whole rather than being just a stand-alone exercise. Accordingly, plans should be designed in a manner that is aligned with the risk profile and performance of the organization and the risks that it may pose to the system. Therefore, it should be risk-based and must fully consider the organization's business model.

Based on these premises, NBC has integrated the initiatives related to the U.S. regulation to the existing global Recovery and Resolution Plans ("RRP") governance framework, which is under the responsibility of the Executive Vice-President, Risk Management and CRO and centralized at head office in Canada.

NBC's global RRP governance framework already oversees and drives the activities related to the Financial Contingency and Crisis Recovery Planning process (regulated by OSFI), the Canadian Resolution Planning process (performed by CDIC) and the Crisis Management Group activities which is involving Canadian authorities (Bank of Canada, Department of Finance, Financial Consumer Agency of Canada, OSFI, CDIC), U.S. authorities (FDIC, NYSDFS) and United Kingdom authorities (Bank of England).

The global RRP governance framework also defines specific roles and responsibilities for groups and committees and for executives that are the most actively involved in the planning process and governance oversight.

A central program team was established to take responsibilities for the on going activities required to produce the RRP. Through the Enterprise-Wide Risk Management Committee, the central team is linked to the wider business and collects input from various parts of NBC. The central team is responsible for strong and effective communications with internal and external stakeholders of the framework.

The Integrated Risk Management Committee, composed of the Executive VP, Risk Management and CRO, the Executive VP, Finance & Treasury and CFO, the Senior VP, Finance, Taxation and Investor Relations, the Senior VP, Corporate Treasury, the Senior VP, Credit, the Senior VP, Internal Audit, the VP, Enterprise-Wide Risk Management, the VP, Market Risk, the VP, Capital, the VP, Operational and Reputation Risk and the VP, Compliance. This Committee meets on a monthly basis. One of its responsibilities is to ensure RRP's management oversight and control. It also provides direction and strategy for the RRP's, helps to resolve issues and approves scope changes and deliverables. Additionally it ensures that RRP's meet applicable requirements.

To ensure completeness of the content and alignment to the guidance provided by the U.S. regulators, the central program team integrated representatives from the New York Branch and retained external legal counsel to review and provide technical analysis.

The U.S. Resolution Plan has been reviewed and approved by the President and Chief Executive Officer, on behalf of and pursuant to express delegation from the Board.

10. MATERIAL MANAGEMENT INFORMATION SYSTEMS (MIS)

The Bank centralizes its data and the management of it in an effort to secure and ensure better quality of available data. Moreover, the Bank has processes in place to ensure needed data is available on a timely fashion.

Each business line has a business continuity plan to make sure it can continue to operate in case of major unit, regional or corporate breakdown.

11. RESOLUTION STRATEGY

Global Resolution

Canada Deposit Insurance Corporation (“CDIC”), as the resolution authority for Canadian banks, is responsible for developing and maintaining credible resolution plans and processes for its large complex members. Resolution Planning serves as a guide to the effective use of CDIC’s powers, as set out in the CDIC Act, to resolve a large member in the event that the member’s own recovery measures are not feasible or have proven to be ineffective.

In the event that a bank’s recovery planning actions are unsuccessful, CDIC, in conjunction with the other Canadian federal regulatory agencies, would need to determine how the bank should be resolved. Outside of traditional wind-up and liquidation options, there are several resolution strategies that CDIC could implement to resolve the failed or failing bank. The application of a particular resolution tool may depend on the particular crisis event that contributed to the failure of the bank.

In 2013, NBC has contributed to the second iteration of this process, which ended with a Crisis Management Group meeting (involving Canadian, U.S. and United Kingdom authorities).

In addition, NBC notes that, in June 2013, the CDIC and the FDIC entered into a memorandum of understanding (MOU) that formalized cross-border cooperation between the agencies in the event of the failure of a large, complex financial institution operating in both Canada and the U.S.

The MOU enhances and strengthens consultation and cooperation between the CDIC and the FDIC and the exchange of information between the agencies, both during normal conditions and during periods of financial stress.

Resolution of U.S. Operations

As required by the Final Rule, the Bank has assumed for purposes of this Resolution Plan, among other things, that:

- An idiosyncratic event causes the failure of one or more major branches and subsidiaries of the Bank, leading to the material financial distress and ultimate failure of the Bank;
- Financial markets are functioning normally; and
- There is no extraordinary government support available to the Bank in the U.S. or Canada that would affect the U.S. operations of the Bank.

For purposes of the U.S. Resolution Plan, the Bank is assuming the resolution strategy for its U.S. operations in the event of a material financial distress or failure of the Bank would be to pursue an orderly liquidation of all assets of its U.S. branch and subsidiaries. Given that a

substantial part of the Bank's U.S. operations are conducted in the New York Branch, this resolution strategy would primarily involve the Superintendent of the NYSDFS acting as receiver of the Bank's state-licensed New York Branch under New York Banking Law ("NYBL") and a liquidation of the branch by the NYSDFS under the NYBL. This resolution strategy would also involve the resolution of Natbank, N.A. by the FDIC, as receiver appointed by the OCC, under the Federal Deposit Insurance Act (the "FDI Act") and FDIC regulations.

As a registered broker dealer, NBCFI is a member of the Securities Investor Protection Corporation ("SIPC") and would be eligible for resolution under the Securities Investor Protection Act ("SIPA") if it has "customers" as defined under SIPA. Currently NBCFI does not hold customer assets in the normal course of business and would not be eligible for resolution under SIPA. Accordingly, NBCFI would be resolved under Chapter 11 of the U.S. Bankruptcy Code. If NBCFI were to hold customer funds at the time of its entry into resolution, NBCFI likely would be wound down after the initiation of a SIPA proceeding by a trustee appointed by SIPC. Credigy (including its subsidiaries) would be resolved under Chapter 11 of the U.S. Bankruptcy Code.