

**THE BANK OF NOVA SCOTIA
U.S. RESOLUTION PLAN
PUBLIC SUMMARY**

December 20, 2018



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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”). In a letter dated January 29, 2018, the FRB and the FDIC exempted The Bank of Nova Scotia (“BNS”)¹ from certain informational requirements of the Resolution Plan Rule for its next submission due December 31, 2018, and each of the following two submissions. Accordingly, BNS has prepared a so-called “Reduced Plan” for the 2018 submission.

BNS, which is a bank organized under the laws of Canada, maintains a state-licensed branch in Houston, a state-licensed agency office in New York, and a state-licensed representative office in 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 financial 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 (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 entities and businesses would have an adverse effect on the financial stability of the United States, should such a resolution ever become necessary. 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. As part of BNS’s Reduced Plan for its 2018 submission, BNS is required to provide information concerning:

- Material changes, if any, it has made to its U.S. Resolution Plan;
- Any actions taken since its prior U.S. Resolution Plan to improve the effectiveness of its resolution plan; and
- If applicable, its strategy for ensuring that any insured depository institution subsidiary will be adequately protected from risks arising from the activities of any non-bank

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

subsidiaries of BNS (other than those that are subsidiaries of an insured depository institution).

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"); and (iii) Scotia Capital (USA) Inc. ("SCUSA").² The core business lines covered by the U.S. Resolution Plan are: (a) Corporate Lending; (b) Debt Capital Markets; (c) Global Business Payments; (d) U.S. Rates; and (e) Prime Services.

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 88,000 employees, BNS offers a broad range of products and services, including personal, commercial, corporate, and investment banking, to some 24 million customers in more than 50 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 five priorities that will help BNS build an even better bank:
 - Being more focused on customers;
 - Enhancing leadership depth, diversity, and deployment;
 - Being better organized to serve customers and reduce costs;
 - Investing in technology to improve data and analytics; and
 - Shifting its business mix to closely align with its customer-focused strategy.

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

BNS in the United States

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 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.

Since its 2015 U.S. Resolution Plan, BNS has refined its corporate structure and the governance of its U.S. operations. As a foreign banking organization with less than \$50 billion in U.S. non-branch/agency assets, BNS is not subject to the requirement in the Enhanced Prudential Standards under the Dodd-Frank Act to place its U.S. subsidiaries underneath a top-tier, U.S. intermediate holding company. Although not subject to this requirement, BNS has elected to create a non-bank holding company. Scotia Holdings (US) Inc. ("SHUSI") was incorporated in 1996 and repurposed in 2016 to function as the holding company for all of BNS's non-bank subsidiaries in the United States, and is now the direct parent of the U.S. broker-dealer, Scotia Capital (USA), Inc. ("SCUSA"), and other non-bank finance company entities. In order to consolidate the governance of its U.S. operations, BNS authorized the SHUSI Board of Directors to oversee BNS's U.S. bank and non-bank subsidiaries as well as its U.S. branch and agency operations. This SHUSI board includes three independent directors, who are also independent directors on BNS's board.

In addition to implementing a more robust U.S. governance model, BNS has enhanced the U.S. operating model since 2015. BNS has added new senior management roles, separating the Legal and Compliance functions so that there is now a U.S. Chief Legal Officer and separate U.S. Head of Compliance. The Compliance function, which had sat under the Legal function, now reports to the U.S. Chief Risk Officer. BNS has also added a U.S. Chief Data Governance Officer. BNS has also made significant new hires into existing roles, hiring a new U.S. Chief Executive Officer, U.S. Chief Risk Officer, U.S. Chief Operating Officer, U.S. Chief Financial Officer, U.S. Head of Human Resources and U.S. Chief Auditor.

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 sales and trading and equity sales and trading; (iii) securities borrowing and lending; and (iv) repo activities. SCUSA's principal revenue sources are underwriting fees, fees earned on securities borrowed and loaned transactions, execution commissions, trading gains, and interest income.

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:

- Corporate Lending: Corporate Lending, the largest of the core business lines by revenues, primarily lends to investment grade borrowers through bilateral and syndicated facilities, meets customers' capital requirements at a competitive price with a flexible structure.
- Debt Capital Markets ("DCM"): DCM primarily markets to existing corporate clients of BNS for underwriting mandates on corporate bond transactions. DCM is involved in issuance from both investment grade and high yield rated issuers in U.S. dollars, regardless of the issuer's domicile. Occasionally, DCM also acts as an underwriter/agent on covered bonds and may engage in Regulation D private placements under the Securities Act of 1933. In the United States, the group typically underwrites more than 300 corporate bond transactions a year for its clients and acts as a joint bookrunner on more than 90 of these transactions per year.
- Global Business Payments ("GBP"): BNS provides a range of GBP-related products and solutions in the United States to large corporate customers. Products include depository accounts and recently introduced operating accounts with electronic payment offerings, export and import letters of credit, and financial and non-financial standby letters of credit and guarantees. GBP also assists with marketing for various deposit product offerings (Yankee CDs, Money Market Deposit Accounts, Notice Investment Accounts and Demand Deposit Accounts, which are booked to the Houston Branch and administered by NYA, and for which Group Treasury is ultimately responsible) targeted to the corporate and financial institution segments to manage their excess balances. GBP

also offers money markets instruments and notice deposits managed in NYA and Toronto.

- U.S. Rates: Since initiating participation in U.S. Treasury auctions in March 2010, U.S. Rates primarily has focused the majority of its trading efforts on U.S. government debt (Treasuries, Treasury bills, coupons, etc.). As a primary dealer, U.S. Rates is responsible for underwriting U.S. Treasury debt through the Federal Reserve Bank of New York. The U.S. Rates group also engages in U.S. Treasury repo.
- Prime Services: The Houston Branch Prime Services unit provides services to institutional investors, which include hedge funds and registered mutual funds. The team provides clients with access to enhanced prime services products, including: (i) securities borrowing and lending; (ii) margin lending; (iii) custodial services; and (iv) total return swaps. SCUSA manages certain operations as agent and sub-custodian for Houston Branch. Prime Services outsources many of the day-to-day functions to other areas of BNS, including SCUSA and NYA, which act on behalf of Houston Branch under its supervision.

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. Moreover, Group Treasury is directly responsible for wholesale and capital funding and liquidity management of 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.

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, 2017.

Figure 1 Consolidated Statement of Financial Position (October 31, 2017)

Consolidated Statement of Financial Position of The Bank of Nova Scotia as of October 31, 2017	
(\$ millions CAD)	
ASSETS	
Cash and deposits with financial institutions	59,663
Precious Metals	5,717
Trading assets	98,464
Financial assets designated at fair value through profit or loss	13
Securities purchased under resale agreements and securities borrowed	95,319
Investment securities	69,269
Derivatives financial instruments	35,364
Loans	504,369
Other assets	47,095
Total assets	915,273
Liabilities	
Financial Institutions	40,349
Financial instruments designated at fair value through profit or loss	4,663
Customer accounts	585,018
Acceptances	13,560
Obligations related to securities sold short	30,766
Derivative financial instruments	34,200
Obligations related to securities sold under repurchase agreements and securities lent	95,843
Subordinated debentures	5,935
Other liabilities	43,314
Total liabilities	853,648
Equity	
Total Common equity	55,454
Preferred shares	4,579
Non-controlling interests	1,592
Total equity	61,625
Total liabilities and equity	915,273

Figure 2 Capital Ratios (October 31, 2017)

The Bank of Nova Scotia Capital Ratios as of October 31, 2017

International Financial Reporting Standards (IFRS)	
Tier 1 Capital Ratio	13.1%
Total Capital Ratio	14.9%

D. Description of Derivative Activities and Hedging Activities

Derivative Activities

Derivative instruments are contracts that derive value from interest rates, foreign exchange rates, commodities, equity prices, or other financial variables. Most derivative instruments can be characterized as interest rate contracts, foreign exchange and gold contracts, commodity contracts, equity contracts, or credit contracts. Derivative 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, estimated funding costs 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 and amortized 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 transactions. Hedging instruments include single-currency interest rate swaps, cross-currency interest rate swaps, total return 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 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”), Intercontinental Exchange Europe (“ICE Europe”), JPMorgan Chase & Co. (“JPMorgan”) 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.

As a direct participant in CME and ICE Europe, as well as other exchanges through JPMorgan, BNS has access to the largest futures and options market in the world. The Bank of New York Mellon is the clearing bank for BNS's U.S. Primary Dealer and Broker Dealer businesses to clear and settle all U.S. Government securities. Other banks are used as custodians to settle global securities.

F. Description of Foreign Operations

BNS is a global institution based in Canada with operations in more than 50 countries worldwide. BNS's global activities are organized under the following three business platforms: Canadian Banking, International Banking, and Global Banking & Markets ("GBM").

Canadian Banking

Canadian Banking provides a full suite of financial services and solutions to over 10 million personal and business customers across Canada, via 963 branches, more than 3,600 automated banking machines, as well as internet, mobile and telephone banking, and specialized sales teams. Canadian Banking also provides an alternative self-directed banking solution to over 2 million customers of its wholly-owned subsidiary, Tangerine Bank. Canadian Banking is comprised of the following areas: (i) Retail and Small Business Banking, which provides financial advice, solutions and day-to-day banking products (including debit cards, chequing accounts, credit cards, investments, mortgages, loans, and related creditor insurance products) to individuals and small businesses; (ii) Commercial Banking, which delivers advice and a full suite of lending, deposit, cash management and trade finance solutions to medium and large businesses, including automotive dealers and their customers to whom we provide retail automotive financing solutions; and (iii) Wealth Management, which provides a suite of investment and wealth management advice, services, products and solutions to customers, as well as advisors.

International Banking

International Banking has a well-established, diversified franchise that serves more than 15 million retail, corporate and commercial customers across BNS's footprint. These customers are supported by over 50,000 employees, over 1,800 branches, and a network of contact and business support centers. International Banking is focused on growing operations in Latin America, including the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia, and the Caribbean and Central America.

Global Banking & Markets

GBM conducts BNS's wholesale banking and capital markets business with corporate, government, and institutional investor clients. GBM is a full-service wholesale bank and investment dealer in Canada and Mexico, and offers a range of products and services in the United States, Latin America (excluding Mexico), and in select markets in Europe, Asia, and Australia. GBM provides clients with: (i) corporate lending; (ii) transaction banking (including

trade finance and cash management); (iii) investment banking (including corporate finance and mergers and acquisitions); (iv) fixed income and equity underwriting, sales, trading, and research; (v) prime services (prime brokerage and stock lending); (vi) foreign exchange sales and trading; (vii) commodity derivatives; (viii) precious and base metals sales, trading, financing, and physical services; and (ix) collateral management.

G. Material Supervisory Authorities

In Canada, BNS’s principal prudential regulator is the Office of the Superintendent of Financial Institutions (“OSFI”). Other regulators include the Financial Consumer Agency of Canada (“FCAC”) and the Canada Deposit Insurance Corporation (“CDIC”).

In the United States, 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 BNS

Figure 3 Principal Officers for BNS

Name	Title
Brian J. Porter	President and Chief Executive Officer
Ian Arellano	Executive Vice President and General Counsel
Andrew Branion	Executive Vice President and Group Treasurer
Jake Lawrence	Co-Group Head, Global Banking and Markets; Head, GCM
Daniel Moore	Chief Risk Officer
James Neate	Co-Group Head, Global Banking and Markets; Head, Global Corporate Bank & Investment Bank
Dan Rees	Group Head, Operations
Rajagopal (Raj) Viswanathan	Executive Vice President and Chief Financial Officer
Michael Zerbs	Group Head & Chief Technology Officer

I. Corporate Governance Structure and Processes Related to Resolution Planning

BNS's corporate governance structure focuses on the establishment of frameworks, policies and procedures that are designed to ensure that BNS provides strong, sustainable results for shareholders, customers and employees, and conducts business responsibly in the communities it serves. The responsibility for BNS's corporate governance in the United States resides with the SHUSI Board of Directors. BNS regularly reviews its corporate governance policies and procedures at all levels, and the SHUSI board is committed to reviewing trends and evolving best practices.

In addition to the corporate governance structures already in place, BNS established the U.S. Resolution Planning Working Group, which reports to the U.S. Executive Committee, to ensure that BNS meets its obligations under the Rule. The U.S. Resolution Planning Working Group, which is responsible for overseeing the U.S. resolution planning process, is made up of representatives from Risk Management, Finance, Legal and Operations, as well as senior management from the various U.S. business lines that are discussed in the U.S. Resolution Plan.

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 severely adverse scenario 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. Consistent with regulatory guidance, the U.S. Resolution Plan provides for the resolution of the core business lines and material entities under applicable insolvency regimes (the Securities Investor Protection Act or the banking laws of the States of New York and Texas, as applicable) after 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.

The actions taken by BNS to resolve its core business lines and material entities would be conducted in an orderly manner that would not affect the financial stability of the United States.